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TRICARE Contract Update

MSC Day

Naval Medical Center, Portsmouth

September 15th, 2003

What is T-Nex?

- **The new generation of contracts.**
- **New business concepts come with it.**
- **Some things in current contract are not in it.**

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When does it happen to us?

- **Current schedule for Region 2 is a health care delivery date of July 1st, 2004**
- **When will it really be?**

- **Winner of North Region contract is HealthNet**

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Contract Award

- **Contract Value**
  - **North: $2.3 Billion**
  - **South: $2.1 Billion**
  - **West $2.1 Billion**

- **Does not include health care costs for option years 2-5**

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Changes to Regions

- **Go from current 11 regions to 3 (North, South, West)**
- **Region 2 becomes part of the North Region (along with former Regions 1 and 5)**

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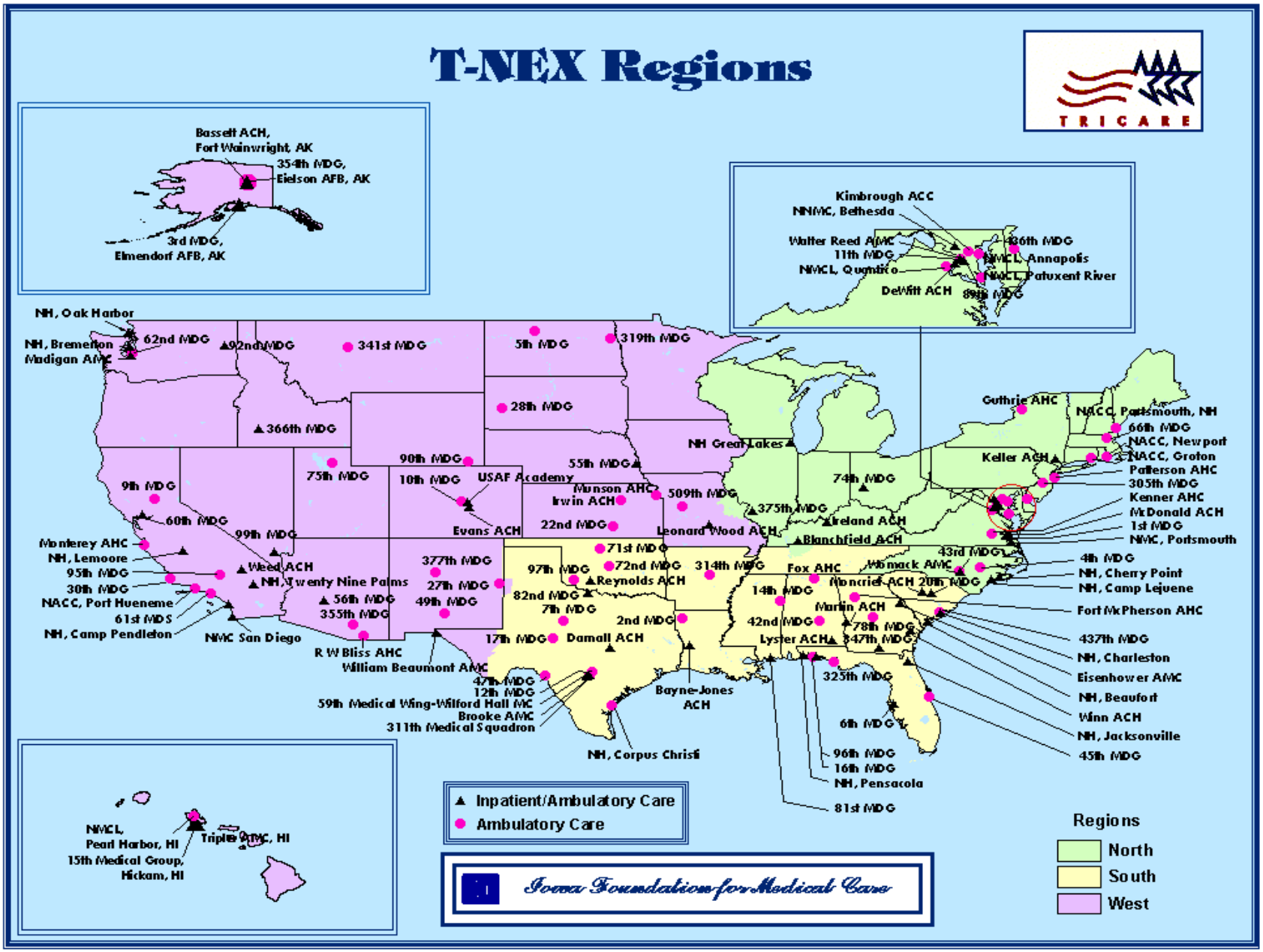
T-NEX Regions
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Bassett ACH, Fort Wainwright, AK
354th MDG, Eielson AFB, AK
3rd MDG, Elmendorf AFB, AK
Kimbrough ACC
NNMC, Bethesda
Walter Reed AMC
11th MDG
NMCL, Quantico
DeWitt ACH
86th MDG
NMCL, Annapolis
NMCL, Patuxent River
89th MDG
NH, Oak Harbor
62nd MDG
NH, Bremerton
Madigan AMC
92nd MDG
341st MDG
5th MDG
319th MDG
28th MDG
366th MDG
NH Great Lakes
Guthrie AHC
NACC, Portsmouth, NH
66th MDG
NACC, Newport
NACC, Groton
Patterson AHC
305th MDG
Kenner AHC
McDonald ACH
1st MDG
NMC, Portsmouth
Keller ACH
74th MDG
90th MDG
75th MDG
55th MDG
10th MDG
USAF Academy
Munson AHC
Irwin ACH
509th MDG
375th MDG
Ireland ACH
Blanchfield ACH
Evans ACH
22nd MDG
Leonard Wood ACH
9th MDG
60th MDG
99th MDG
Monterey AHC
NH, Lemoore
95th MDG
30th MDG
NACC, Port Hueneme
61st MDS
NH, Camp Pendleton
Weed ACH
NH, Twenty Nine Palms
NMC San Diego
377th MDG
27th MDG
56th MDG
355th MDG
49th MDG
R W Bliss AHC
William Beaumont AMC
71st MDG
97th MDG
72nd MDG
Reynolds ACH
314th MDG
82nd MDG
7th MDG
2nd MDG
17th MDG
Damall ACH
Fox AHC
Wilmack AMC
43rd MDG
4th MDG
NH, Cherry Point
NH, Camp Lejeune
Moncrief ACH
20th MDG
14th MDG
Martin ACH
Fort McPherson AHC
42nd MDG
78th MDG
Lyster ACH
347th MDG
437th MDG
NH, Charleston
Eisenhower AMC
NH, Beaufort
Winn ACH
NH, Jacksonville
45th MDG
325th MDG
6th MDG
96th MDG
16th MDG
NH, Pensacola
81st MDG
47th MDG
12th MDG
59th Medical Wing-Wilford Hall MC
Brooke AMC
311th Medical Squadron
Bayne-Jones ACH
NH, Corpus Christi
NMCL, Pearl Harbor, HI
Tripler AMC, HI
15th Medical Group, Hickam, HI
Inpatient/Ambulatory Care
Ambulatory Care
Regions
North
South
West
Iowa Foundation for Medical Care

Lead Agent Offices

- **Lead Agents go away – so do their offices.**

- **Each new region will have a "TRO" – TRICARE Regional Office.**

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TRO Staff

- **Headed by 2-star Flag (First one named is Rear Admiral Johnson for West Region)**
- **6 or 7 military staff (O-5 and O-6)**
- **43-44 civil servant staff**

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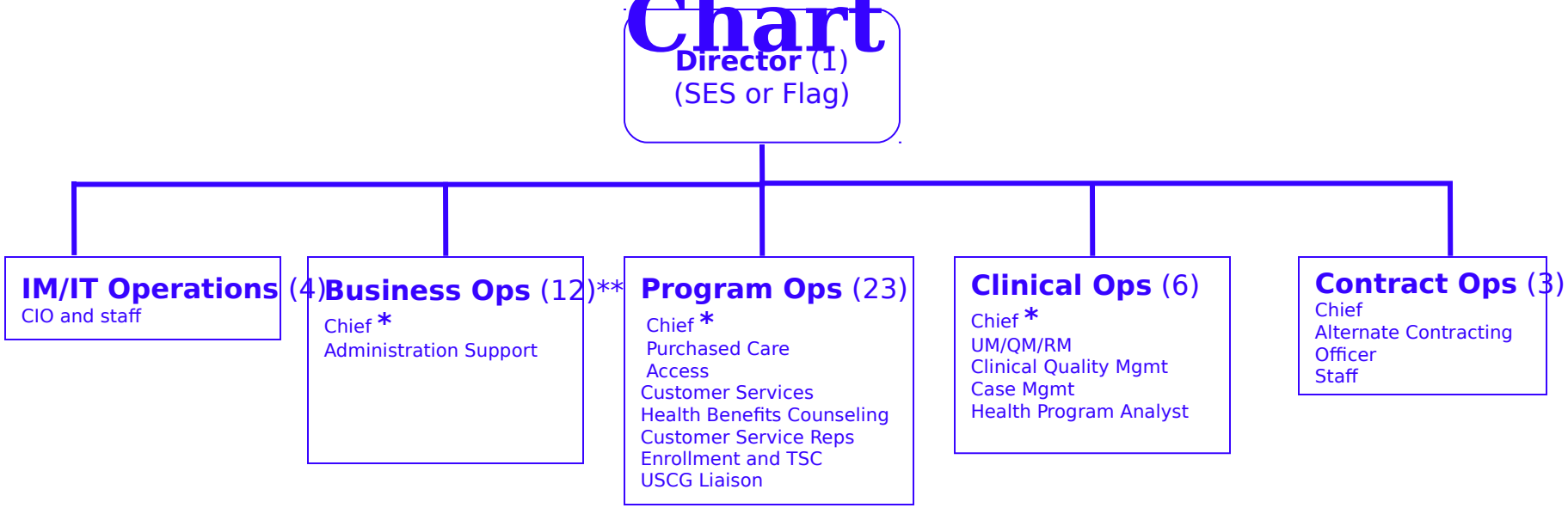
TRICARE Regional Office Organization Chart



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* One of these three Chiefs will be selected to function as Director in the absence of incumbent

**Responsible for Business Operations and functions of Office of the Director

Regional Director Position

The Regional Director is responsible and accountable for an integrated regional health plan that includes the purchased care provided by the TRICARE contractors and the direct care provided by the military health care system.

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Responsibilities of the Regional Director

1. Responsible for the regional contract performance and contract administration.
2. Oversees the development and monitors a regionally integrated
   business plan utilizing the business plans submitted by the MTFs and approved by the services.
3. Assists and supports the MTFs in their implementation of their approved business plans.
4. Manages the care for the non-MTF market areas.
5. Oversees overall performance with focus on financial and contracting responsibilities for both direct and purchased care in the region.
6. Establishes liaison with the regional VISNS to work DOD/VA issues

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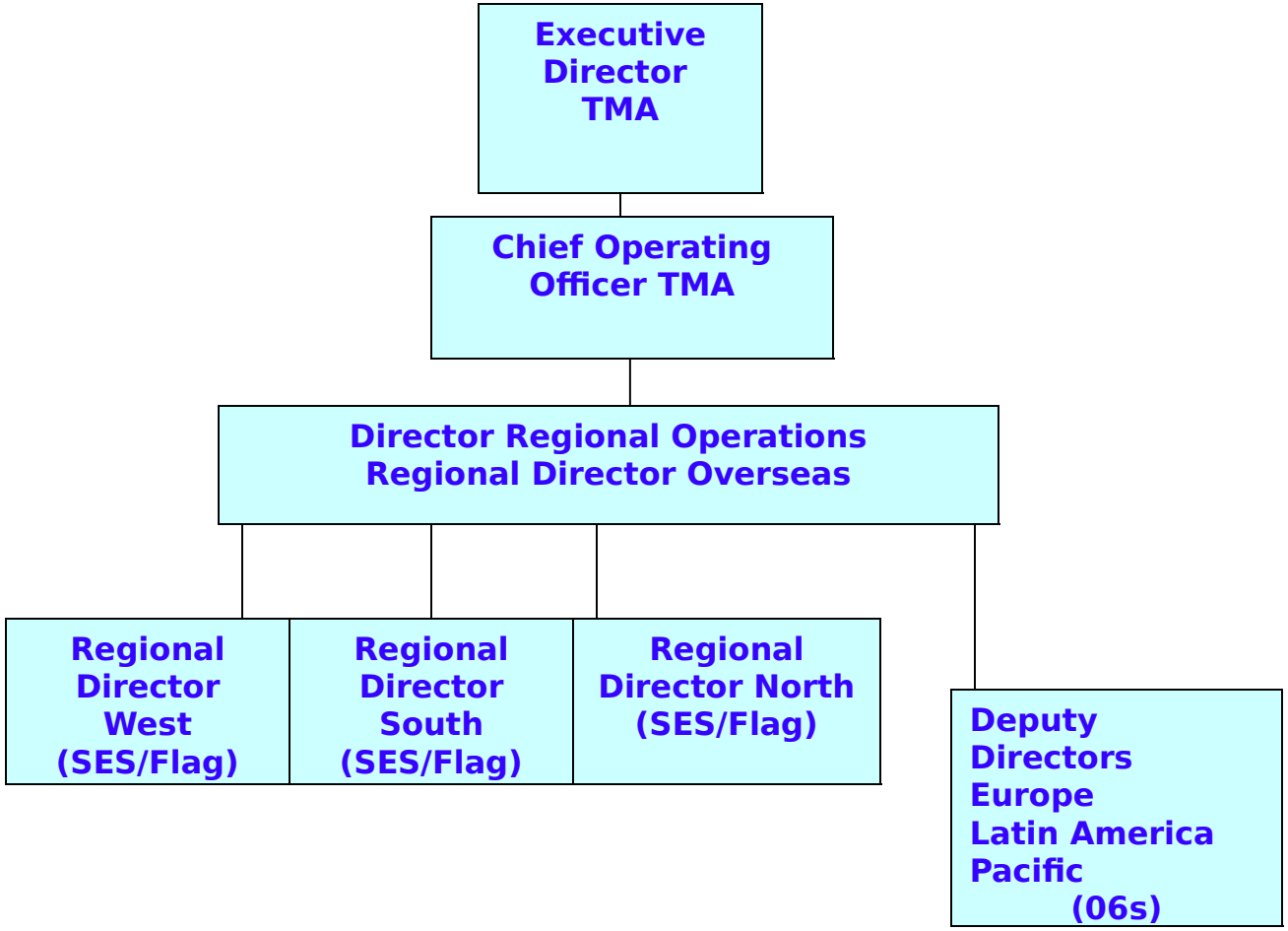
TRICARE Management Activity Organization



Local T-Nex Management

- Focus is market management
- All Lead Agents are Lead Agent Market Managers

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Multiple Services Market Areas

- More than one service with an MTF and the markets overlap. Applies to the following Lead Agents:

  National Capital Region, Portsmouth, San Antonio, Colorado Springs, Puget Sound, Hawaii, and Biloxi

- Also Fort Jackson/Shaw AF Base, Charleston Naval Hospital/AF Base Clinic, and

  Fort Bragg/Pope AFB Clinic

- Single Business Plan

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Lead Agent Market Manager

- Develops the business plan for the direct care and the purchased care for their enrolled population
- Plans for the optimal utilization of the direct care system to care for beneficiaries not enrolled to the MTF
- Assigns MTF staff to address regional planning goals and to resolve problems

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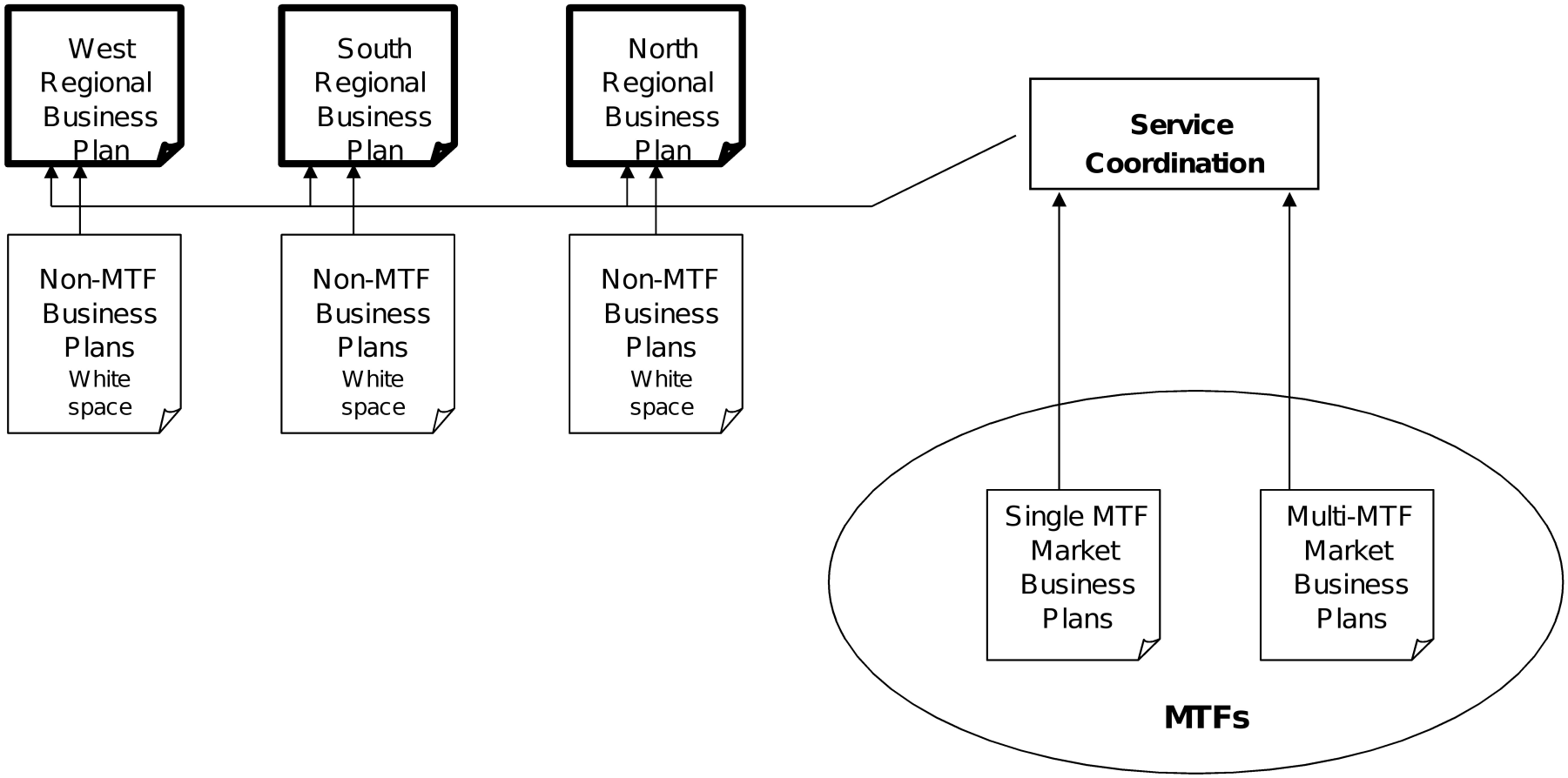
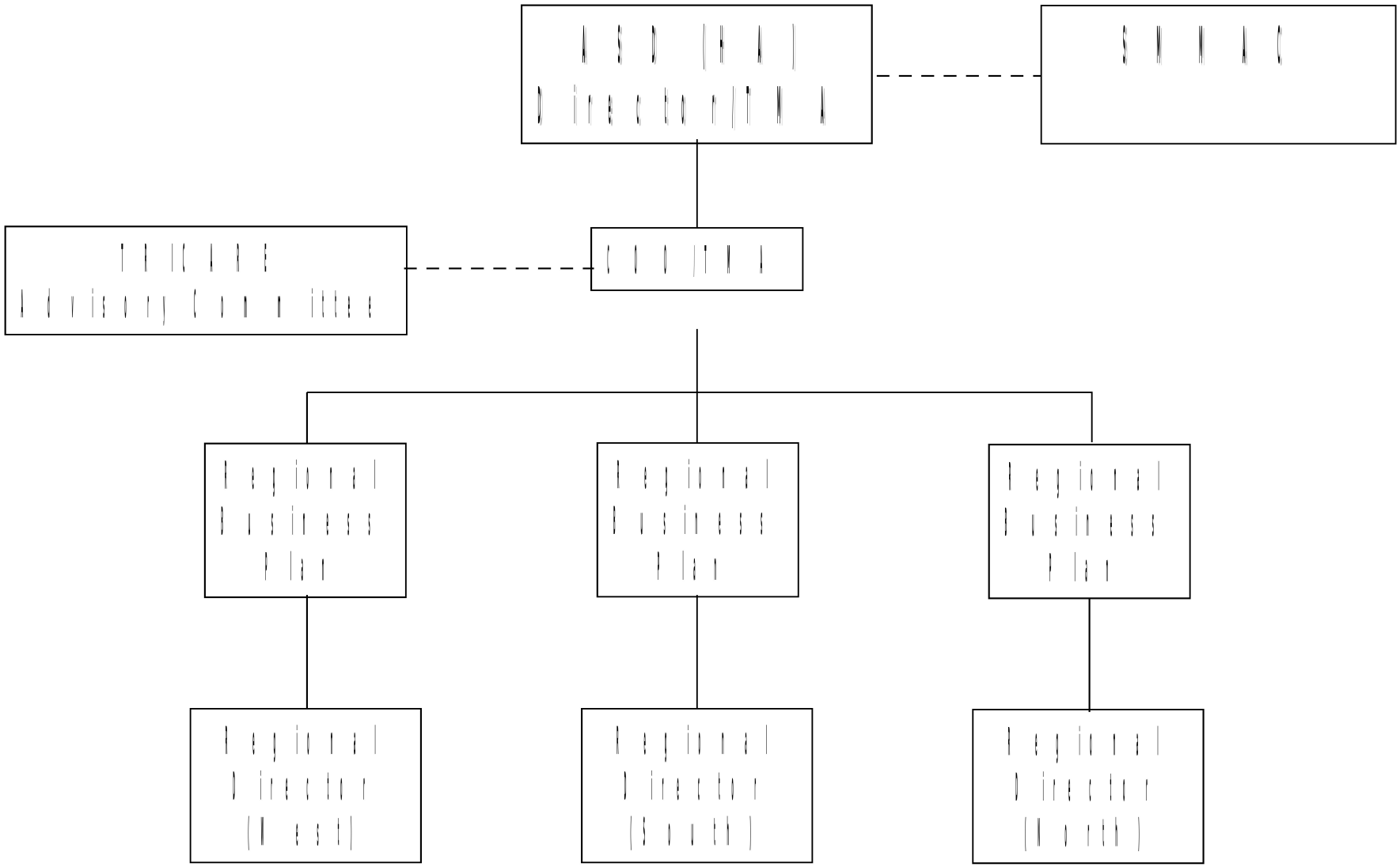
Business Planning Process



Business Plan Approval



What Current Lead Agent Offices Do That is Lost in T-Nex

- Assist with resource sharing
- Population Health initiatives
- Cross-service integration
- “Local issues”
- Utilization Management
- Marketing and Beneficiary Information

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What T-Nex Buys

- **“Best business practices”**
- **“Optimization” of MTF’s (and first right of refusal for referrals)**
- **Network accreditation**
- **Better receipt of feedback on referred pts.**
- **“Improve the health” of contractor-enrolled pts, per HEDIS indications**
- **Claims processing**

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What MTF's Need to Buy

- Resource Sharing
- Resource Support
- Appointing
- Referral Tracking
- HEAR Activities
- Transcription Services
- Other

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Getting Ready

- **My opinion – number one priority for Portsmouth is appointing.**

- **Infrastructure**
- **Business processes**

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Getting Ready

- **Referral Tracking**
- **Continue to improve current system**
- **Tied to appointing function**

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Getting Ready

- **Multi-service MTF Market Manager**

- **Composure of staff**
- **Formulating a business plan**
- **Buy-in from other services**
- **Work already being done**

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Getting Ready

- **Resource sharing**

- **NMCP is in pretty good shape.**
- **Understand how RS works in T-Nex and review all current agreements to see if they are viable.**

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The Finances of the New Contracts

- **The bids consisted of two parts**
  - **Administrative costs**
  - **Health Care (first year only)**

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The contractor bid on the health care costs of ALL beneficiaries

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The Finances of the New Contracts

- **If actual costs less than bid – contractor keeps 20% of savings**
- **If actual costs more than bid – contractor shares in 20% of the loss**

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The contractor has a huge incentive to get patients seen in the MTF – even if they are MTF Prime!

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The Finances of the New Contracts

- **The contractor may be willing to offer resources to the MTF to get more patients seen in the MTF**

- **Those MTF's who have ideas/plans ready will be ahead of the pack**

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Customer Service

- **A big incentive for maximizing customer service – annual performance bonus**
- **This bonus determined by the TRO Director**

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Venture Capital at the TRO

- **Idea to place investment dollars ($30M) at each TRO for regional use**
- **No details on this yet**

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New Proposed Financial Model

MTF Budget will consist of

1. **Capitated rate for enrollees PLUS**
2. **TMAC rate for care given to non-enrollees MINUS**
3. **Revised Finance bill MINUS**
4. **TMAC rate for care for enrollees provided by other MTF's**

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New Proposed Financial Model

- **FY 04: “practice round”**
- **FY 05: 25% of budget based on this model**
- **FY 06: 50%**
- **FY 07: 75%**
- **FY 08: 100%**

“The Devil is in the Details”

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New TRICARE Contracts

- **A new financial model**
- **Different incentives to the contractor**
- **Moves some work to the MTF's**

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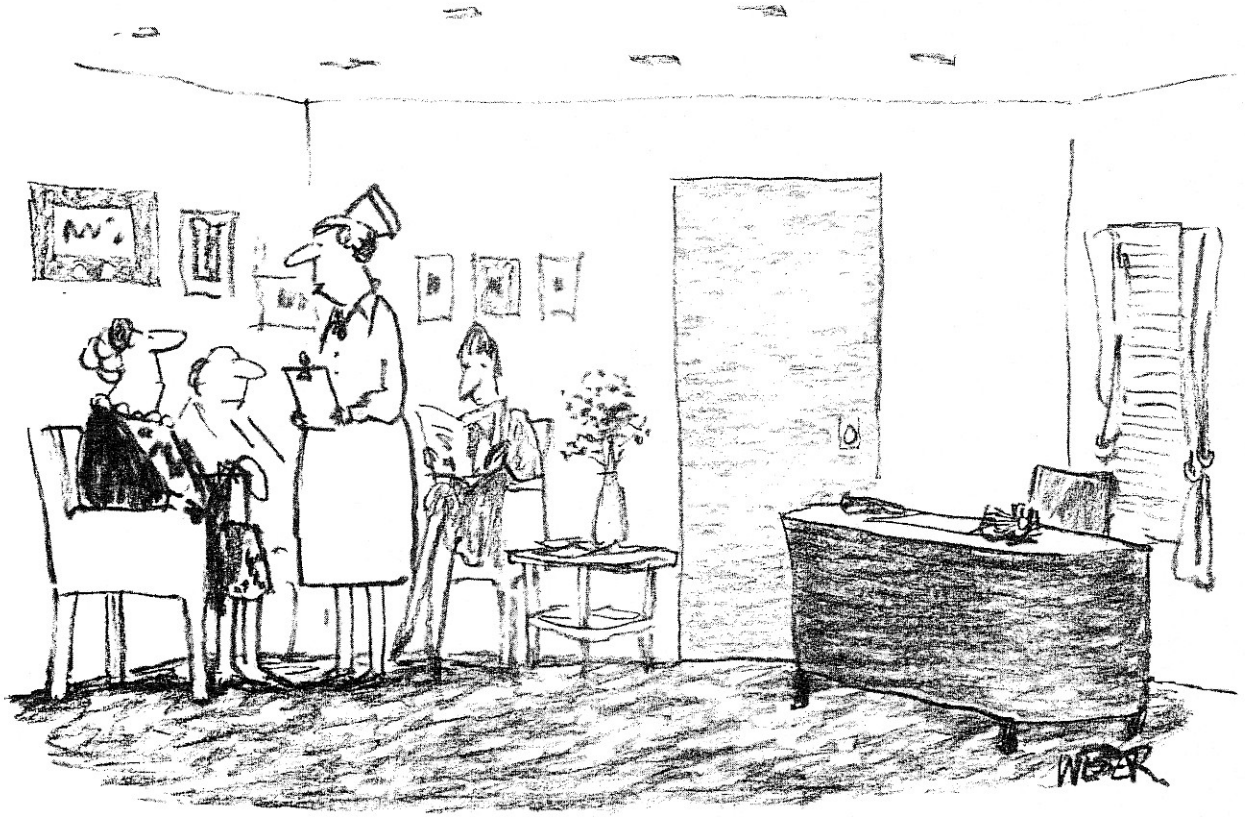

"The doctor will see you now, Mrs. Perkins.
Please try not to upset him."

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??? Questions ???

★ ONE REGIONAL TEAM DELIVERING OPTIMAL HEALTH CARE FOR OPERATIONAL READINESS ★